

07/06/06 PC water affairs & forestry

Broad Based Black Economic Empowerment in the Forest Sector

**Presentation to the Portfolio
Committee**

7 June 2006

**Ms Gugu Moloi, Chairperson
Forestry Charter Steering Committee**

Contents

- Progress to date with development of the Forest Sector Charter
- Vision for the Forest Sector
- Forest Sector Scorecard
- BBBEE Instrument
- Way forward

Progress to date

- Official launch of Charter by Minister Sonjica at Indaba in Midrand on 18th April 2005
- Charter Steering Committee was established and began work in June 2005
- Steering Committee established Sub-sector Working Groups:
 - Growers
 - Forestry Contractors
 - Fibre (pulp paper, timber board and woodchip)
 - Sawmillers
 - Pole & Charcoal

Progress to date

- First task: develop Charter vision, identify key principles, determine sub-sector challenges and formulated recommendations
- 1st round regional public consultation meetings in East London Durban and Nelspruit (September 05)
- Second task: develop BBBEE scorecards for each sub-sector and identify instruments required for Scorecard achievement
- 2nd round regional public consultation meetings & women's workshops in East London, Durban, Knysna, Polokwane, Ermelo and Midrand (Nov/Dec 05)

Progress to date

- Formulate 1st draft Charter based on inputs received on vision, principles, challenges and recommendations (Dec 05)
- DWAF-DLA workshop on how to fast-track land reform issues in forestry areas (Jan 06)
- Retreat with Chairpersons to deliberate on scorecards (Jan 06)
- Appoint Task Teams to address skills development instruments, financial instruments and Government undertakings (Feb 06)
- 3rd round regional consultation meetings targeting sawmillers, pole treaters and charcoal producers (March 06)
- 2nd and 3rd draft Charter incorporating draft scorecards and BBBEE implementation instruments (April 06)

Progress to date

- 2nd Retreat with Chairperson to deliberate on 3rd draft Charter (May 06)
- 4th draft Charter incorporating inputs from organised labour (CEPPWAWU & FAWU) updating scorecards and BBBEE implementation instruments (May 06)
- Negotiations on Scorecard targets and Government undertakings on BBBEE implementation instruments currently underway

Issues raised during consultations

- Afforestation licensing
- Lack of water resources in some catchments
- Timber shortages
- Retrenchment of workers after the restructuring of State Forests
- Land reform issues
- Monitoring of the implementation of the Forestry Charter
- Inclusion of Woodlands and Indigenous forests
- Skills Development/ Mentorship and Capacity-Building
- Fronting
- Mechanization vs Labour Intensive Operations
- Access to Finance
- Relationship between Contractors and Companies is perceived as a master-slave relationship
- Gender issues
- Community representation in the Steering Committee

How charter addressed issues

- Timber shortages
 - ✓ sawlog strategy
- Land reform issues
 - ✓ DLA undertakings in Charter
- Skills Development
 - ✓ skills development strategy
- Contracting issues
 - ✓ Codes of good practice
- Licensing issues
 - ✓ DWAF undertakings in Charter
- Access to finance
 - ✓ Framework agreements between Sector and Finance Institutions
 - ✓ Industry undertaking
- Monitoring Charter
 - ✓ Establish Forestry Council
- Gender *issues*
 - ✓ targets above generic benchmark in Sawmilling, Contractors and Charcoal

Challenges in the Process

- Late start by the Fibre Working Group (Oct 06)
- Late publication of Codes of Good Practice on BBBEE (20 Dec 05):
 - **Final** Codes on Ownership
 - **Final** Codes on Management Control
 - Draft Codes on Employment Equity
 - Draft Codes on Skills Development
 - Draft Codes on Preferential Procurement
 - Draft Codes on Enterprise Development
 - Draft Codes on CSI and Industry Specific Initiatives
 - Draft Codes on Qualifying Small Enterprises
 - Draft Codes on multi-nationals

Challenges in the Process

- Preference by industry (Fibre sub-sector in particular) to commit to sector scorecard targets before national benchmark targets have been finalised
- Inadequate participation in working group activities by established enterprises in the sawmilling, charcoal and pole production sub-sectors.
- Initial difficulties in securing active participation from organised labour
- Difficulties in sourcing adequate information on the current status of empowerment in the sector
- Additional consultation to occur at Premier and traditional leaders' level

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Sector Scorecard

- Forest enterprises that have a total annual turnover of less than R1.5 million will be deemed to be “Exempted Micro Enterprises” that qualify for BEE compliance exemption
- Enterprises with a total annual turnover of R1.5 million or more, but less than R50 million for the fibre sub-sector and R10 million for all other forest sub-sectors are Qualifying Small Enterprises (QSE’s) and may elect to be measured using five of the seven elements of BBBEE in the scorecard
- Medium and large enterprise will be measured using all seven elements of BBBEE in the scorecard